

**01742**

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## **MOST-FAVORED-NATION STATUS**

### **Issue**

On May 26, 1994, President Clinton announced his decision to renew China's MFN status for this year. Following review of the Secretary of State's assessment and recommendation, the President determined that the Chinese government had met the two mandatory conditions outlined in the 1993 Executive Order: freedom of emigration (Jackson-Vanik) and compliance with our 1992 bilateral agreement concerning prison labor. China, however, did not make "overall significant progress" in the five other areas outlined in the 1993 Executive Order—adherence to the Universal Declaration of Human Rights, releasing/providing an acceptable accounting for political and religious prisoners, humane treatment of prisoners/prison access, protecting the distinctive heritage and culture of Tibet, and permitting international radio and TV broadcasting—although some progress was made.

### **Background**

**The President's Decision.** In addition to renewing China's MFN status, the President also announced on May 26 the following decisions regarding U.S. policy toward China and MFN status:

- the delinking of MFN renewal from human rights issues, other than the statutory requirement of Jackson-Vanik;
- the imposition of a ban on the import of Chinese munitions, consisting chiefly of arms and ammunition, projected to total approximately \$200 million in 1994;
- the continuation of existing Tiananmen sanctions (denial of participation in the U.S. Trade and Development Assistance Program and OPIC, continued U.S. opposition to non-basic human needs loans to China by the World Bank and other MDBs, suspension of weapons deliveries, and denial of licenses for dual-use civilian technology and U.S. munitions list items);
- the implementation of a vigorous, multi-faceted human rights policy to achieve continued progress for China.

This new strategy builds upon existing components of U.S. policy, including continuation of Tiananmen economic sanctions and our bilateral human rights dialogue with the Chinese government. As part of this strategy, the Administration will take the following additional steps: (1) explore the development of a voluntary set of principles regarding the activities of American businesses in advancing human rights in China; (2) increased international broadcasting to ensure that the Chinese people are fully informed about developments in China and the world; (3) expanded efforts to multilateralize our human rights agenda; and (4) encourage and support the many new private non-governmental organizations springing up in China to express their views on a range of subjects, including human rights.

## **MOST-FAVORED-NATION STATUS**

### **Talking Points**

- **The President's decision.** The President decided to renew China's most-favored-nation (MFN) trade status because he concluded that this offers the best way to promote over the long-term the full range of U.S. interests with China, including human rights, strategic and economic interests.
- Extending MFN will promote broad engagement between the U.S. and China, not only through economic contacts but through cultural, educational and other contacts. These contacts, combined with continued efforts to promote human rights, are more likely to encourage constructive change in China.
- The President's May 1993 Executive Order and intense human rights engagement over the past year did produce some positive results. China met the two mandatory conditions on emigration and compliance with the bilateral agreement on prison labor exports. China, however, did not make "overall, significant progress" in all the areas outlined in the executive order, although some progress was made.
- In view of continuing human rights concerns, the President extended sanctions imposed by the United States following the Tiananmen square events. He also imposed a ban on imports of munitions from China, consisting principally of guns and ammunition. These imports were projected to total approximately \$200 million in 1994.
- Linking MFN and human rights was the right policy last year and achieved some tangible results. Taking into account these results and other vital U.S. interests, the President decided that renewing China's MFN status offered the best opportunity to lay the basis for long-term sustainable progress in human rights.
- From now on, we will delink human rights from the annual extension of MFN required under the Jackson-Vanik amendment (Trade Act of 1974). We will continue to pursue human rights objectives and are planning new initiatives to strengthen the current focus.
- The United States must remain true to its ideals and champion human rights. The President's decision does that while also providing a framework to advance our political, economic, and strategic interests in China and the Asian region.
- The administration is moving ahead with implementation of initiatives outlined in the President's MFN decision as well as our engagement strategy. We believe relations with China will get back to a more normal state of affairs with human rights an important, but not the only, consideration in U.S.-China relations.
- **The Administration's new policy.** The President remains committed to the cause of human rights in China. He announced a vigorous new policy which keeps human rights at the center of our relationship. The President's policy should be given a chance to work.

- In the area of freedom of information, the VOA has now expanded its Mandarin-only programming, adding a new broadcast, half of which is exclusive programming calling in to Washington from China. Planning is underway for a VOA radio-television simulcast dealing with current events in China, the first phase of which will hopefully go on the air soon. Meanwhile, the planning process for Radio Free Asia is underway.
- We are working within an interagency process in the USG, as well as with NGOs, to develop means of increasing our support for social organizations and legal reform efforts in China.
- The Administration has also begun discussions with U.S. businesses and the NGO community on how to support our human rights objectives in China. We recognize that economic development can be a powerful engine driving global change, and the business community can help foster a global climate hospitable to both economic and human freedom.
- **Voluntary Business Principles.** In his May 26 decision on MFN, President Clinton called for the development "with the American business leaders of a voluntary set of principles for business activity in China."
- Since then, the Administration has had a series of meetings with the U.S. business community to reach consensus on a voluntary set of principles that incorporate human rights concerns.
- As part of that consensus building process, the Administration has also met with NGO's concerned with human rights in China.
- We have been very pleased by the dialogue with both communities and by the information provided to us by both.
- The Administration continues to stress that U.S. business is a positive force for economic and political reform in China and that any set of principles should build upon the current activities of U.S. business and highlight their "best practices."
- The President's call for the development of a voluntary set of principles is part of the Administration's broader human rights policy toward China and should be understood as such. Neither the process of developing the principles, nor its end-product, should be seen as solving our human rights problems with China or any other country.
- The President's decision on MFN was one that was overwhelmingly supported by the U.S. business community and it is the Administration's hope that business will continue to support efforts at establishing a viable set of voluntary principles.